Government of Saskatchewan

# Annual Report 1987

## Saskatchewan Pension Plan

For the Year Ended
December 31, 1987

91-02188/

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# Letter of Transmittal

Her Honour,
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.,
Lieutenant Governor
Province of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Pension Plan for the year ending December 31, 1987.

Respectfully submitted,

J. Gary Lane, Q.C.
Minister in Charge
Saskatchewan Pension Plan

# General Manager's Report

Since its inception in 1986, the Saskatchewan Pension Plan (SPP) has been considered one of the most exciting initiatives ever introduced by a government. It has provided an unprecedented measure of security for Saskatchewan residents, offering them the opportunity to protect their future.

In 1987, the SPP continued to build on the foundation established in the previous year.

The SPP's flexibility and special features, such as the government matching grant component and the guaranteed minimum pension, continued to attract members to the plan. By year end the SPP boasted a membership of 37,000 people.

Despite depressed investment markets, the SPP's financial performance in 1987 was in the top 25% of pension plans in Canada.

In 1988, the SPP will evaluate its program and begin planning for the decade ahead. We must be prepared to enhance our program and procedures as necessary in order to meet the needs of our members and the public. We also anticipate that with the recovery of the investment markets the SPP will show an improved financial performance in 1988.

In conclusion, I would like to acknowledge the contribution of Gary Benson, who was General Manager of the plan for the year under review. The staff of the SPP worked hard to provide the first full year of program delivery. The continued growth in membership and the interest expressed in the SPP by other jurisdictions is evidence of their success.

Theresa A. Holizki

Theresa Holizki
General Manager
Saskatchewan Pension Plan

# Plan Description

**Objective**

The Saskatchewan Pension Plan (SPP) was established in 1986 to give Saskatchewan residents a greater opportunity to retire with security and dignity. It is the first plan of its kind in North America.

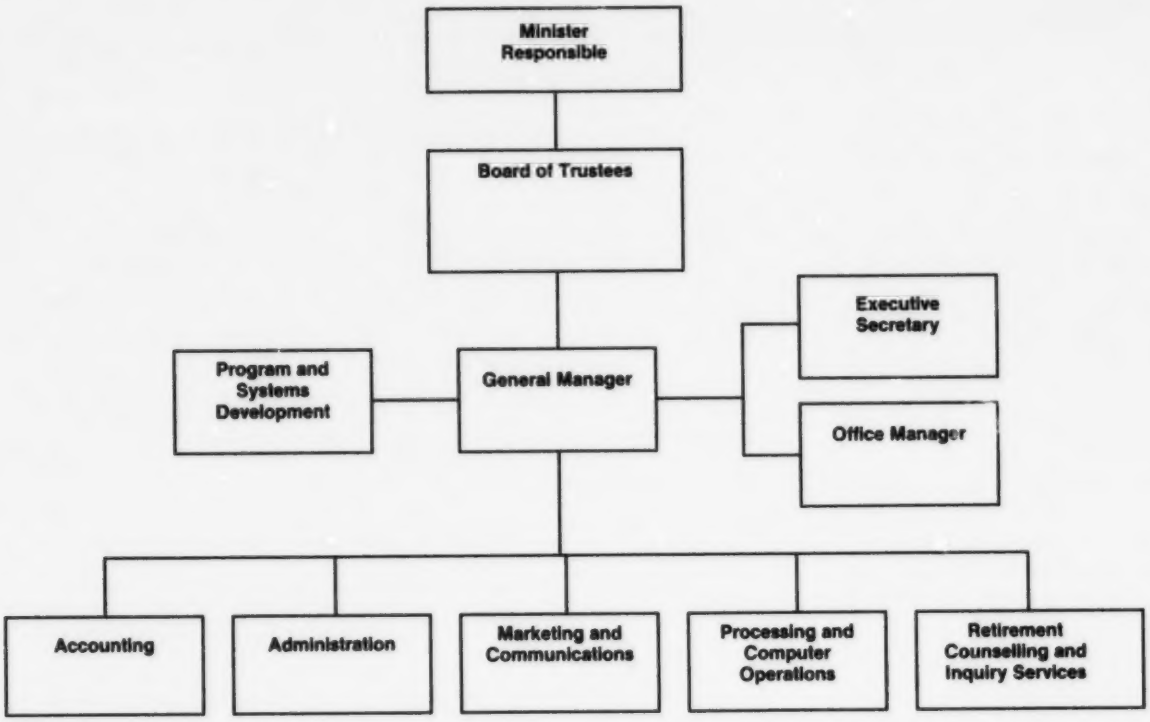
Any Saskatchewan resident between the ages of 18 and 65 can join the plan, however it is particularly attractive to individuals who might not otherwise qualify for or have access to the Canada Pension Plan or other pension plans, and for those who wish to supplement their benefits from other plans.

Any individual participating in the plan must be a Saskatchewan resident with a valid Saskatchewan Health Services Card as of December 31 for each year he or she contributes.

**Key Features**

- The SPP is a modified money purchase plan.
- It includes two unique features for low-income earners: government matching contributions and a guaranteed minimum pension.
- Members can make personal contributions of any amount up to $600 a year (1988 amendment to SPP legislation — previously the combined member and government maximum contribution was $600).
- Depending on a member's personal income level, the Province of Saskatchewan may match up to $300 of the member's personal contribution.
- Those members who receive government matching contributions during the SPP's first ten years of operation are eligible for the guaranteed minimum pension.
- The SPP is administered by a Board of Trustees, which also acts as trustee for the funds.
- There are three funds — Contribution, Guarantee, and Annuity. The Contribution Fund contains all contributions (members' personal contributions and government matching contributions) as well as the annual distribution of the Fund's net earnings. The balance standing to a member's credit is permanently vested. Upon retirement, the balance is transferred to either the Guarantee Fund or the Annuity Fund and is used to provide a life annuity.
- All funds are invested on behalf of the members in accordance with the provisions of The Saskatchewan Pension Plan Act.
- Contributions to the plan year may be made up to 60 days after the end of the calendar year.
- Upon retirement, members select one of three types of life annuities to provide pension benefits.
- The normal form of annuity is a Life Annuity, which pays the highest benefits. Benefits are paid to the member for the remainder of the member's life following retirement.
- A Refund Life Annuity provides a retiree with benefits until death. At that time any balance remaining in the retiree's account is paid out in a lump sum to the beneficiary or estate.
- The Joint and Last Survivor Life Annuity provides benefits for the retiree's lifetime and, following death, the benefits are payable to the selected joint annuitant (at a rate of 60%, 75%, or 100% of the benefits previously paid to the SPP retiree).
- All SPP contributions are tax deductible for the member within RRSP limits.

# Saskatchewan Pension Plan
## Organization Chart
**December 31, 1987**



# 1987 Year in Review

**Program Highlights**

- 1987 was a year of continued growth and development for the SPP.
- The first plan retiree began receiving pension benefits February 1, 1987.
- The SPP issued its first annual statements and tax receipts to its membership.
- An interim computer system was developed to address the immediate needs of program delivery to SPP membership.
- Program facilitators were hired throughout the province to make presentations and assist in the marketing efforts of the plan.

**Demographics**

- Plan membership reached 37,000 members.
- Membership distribution:
  - Female 81.1%
  - Male 18.9%
  - Age:

| | |
|---|---|
| 18 - 25 | 2.0% |
| 26 - 34 | 9.1% |
| 35 - 49 | 28.0% |
| 50 - 65 | 54.2% |
| Over 65 | 6.7% |

  - Occupation:

| | |
|---|---|
| Homemaker | 55.8% |
| Part-time | 20.6% |
| Farmer | 13.0% |
| Self-Employed | 7.8% |
| Full-time | 7.3% |
| Other | 5.2% |

*Note — the total shown for employment categories exceeds the number of contributors because some contributors have indicated that they fall into more than one category.

**Inquiries**

| | |
|---|---|
| • Telephone inquiries | 32,748 |
| • Written inquiries/requests | 20,126 |
| • Questionnaires handled | 7,593 |
| • Office visits | 746 |

**Financial Review**

- Although financial markets were extremely unstable in 1987, the SPP performed in the top 25% of pension plans in Canada with an earnings rate of 7.03 per cent on its assets.
- Member contributions were $[illegible],825,906 in 1987; government contributions were $10,300,951; and investment earnings totalled $1,103,234.
- 979 people retired under the plan and $160,166 in benefits were paid out from the Guarantee Fund to these retirees.

# 1988 — The Year Ahead

- 1988 will be a time of review for the SPP, a time to evaluate the plan's performance to date, and establish long-term goals and systems in accordance with past performance and future demands. As part of the review, the SPP will assess its financial, marketing, and computer systems plans in order to make changes and improvements where necessary.
- The SPP will introduce changes to its legislation which will:
  - allow people to contribute more money, ensuring a larger retirement pension;
  - make it easier to calculate income for the purpose of determining the government matching contribution;
  - simplify the annual contribution calculation; and
  - allow people to contribute to the SPP when receiving benefits from the Canada Pension Plan.
- The SPP will introduce a Payment Deposit System which will deposit retirees' pension cheques directly into their accounts at their local financial institutions.
- A new Chairperson and Board of Trustees will be appointed to the plan. Permanent management staff will also be hired.
- A higher rate of return is anticipated for SPP investments as financial markets stabilize.

# Auditors' Report

To the Members of the
Legislative Assembly of Saskatchewan

We have examined the statement of net assets available for benefits of the Saskatchewan Pension Plan as at December 31, 1987 and the statement of changes in net assets available for benefits for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Plan as at December 31, 1987 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for fixed asset expenditures as explained in note 3 to the financial statements, on a basis consistent with that of the preceding period.

Clarkson Gordon
Chartered Accountants

W.G. Lutz, FCA
Provincial Auditor

Regina, Canada
December 23, 1988,
(except as to Note 7
which is as of April 12, 1989)

# Saskatchewan Pension Plan
## Statement of Net Assets Available for Benefits
## As at December 31, 1987

| | Note Ref. | Contribution Fund 1987 | Contribution Fund 1986 | Guarantee Fund 1987 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash | | $ 229,867 | $ 244,724 | $ 36,095 |
| Investments | (4) | 21,267,796 | | 79,801 |
| Government Receivable | (5) | | | |
| — Matching Contributions | | 1,547,316 | 232,487 | (36,862) |
| — Operating Expenses | | 163,815 | 106,838 | |
| Accrued Interest | | 504,400 | 1,160 | 1,688 |
| Due From (To) Other Fund | (6) | (877,937) | | 877,937 |
| | | 22,835,257 | 585,209 | 958,659 |
| **LIABILITIES** | | | | |
| Accounts Payable | | | | |
| — Operating Expenses | | 163,815 | 106,838 | |
| — Death Benefits, Refunds | | 29,229 | | |
| | | 193,044 | 106,838 | 0 |
| **NET ASSETS AVAILABLE FOR BENEFITS** | (7) | $ 22,642,213 | $ 478,371 | $ 958,659 |

APPROVED ON BEHALF OF THE TRUSTEES:

Theresa A. Holizki

Patricia D. Weir

(See Accompanying Notes)

# Saskatchewan Pension Plan
## Statement of Changes in Net Assets Available for Benefits
## For the Year Ended December 31, 1987

| | Note Ref. | Contribution Fund 1987 | Contribution Fund 1986 (Note 10) | Guarantee Fund 1987 |
|---|---|---|---|---|
| **INCREASES IN ASSETS** | | | | |
| Member Contributions | | $ 11,825,906 | $ 244,724 | $ |
| Government Contributions | | 10,300,951 | 232,487 | |
| Investment Earnings | | 1,103,234 | 930 | 40,699 |
| Interfund Transfers | | (971,812) | | 971,812 |
| Guaranteed Pension Supplement | | | | 106,314 |
| Expenses Recovered | (8) | 1,592,958 | 1,332,161 | |
| Interest Subsidy | | | 230 | |
| | | 23,851,237 | 1,810,532 | 1,118,825 |
| **DECREASES IN ASSETS** | | | | |
| Death Benefits, Refunds | | 94,164 | | |
| Annuity Benefits | | | | 160,166 |
| Operating Expenses | (8) | 1,592,958 | 1,332,161 | |
| Other | | 273 | | |
| | | 1,687,395 | 1,332,161 | 160,166 |
| Net Change in Assets | | 22,163,842 | 478,371 | 958,659 |
| **NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR** | | 478,371 | 0 | 0 |
| **NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR** | | $ 22,642,213 | $ 478,371 | $ 958,659 |

(See Accompanying Notes)

# Saskatchewan Pension Plan
# Notes to the Financial Statements
# December 31, 1987

**1. Status of the Plan**

The Saskatchewan Pension Plan (the Plan), was established pursuant to "The Saskatchewan Pension Plan Act" (the Act). It is a voluntary money purchase plan open to residents of Saskatchewan between the ages of 18 and 65. The Government of Saskatchewan provides a matching contribution to members, based on their income, up to a maximum stated in the Act. Retiring members may also be eligible for a guaranteed minimum pension which is supplemented by the Government. The Plan is a prescribed provincial plan under the Income Tax Act.

The following Funds were established to account for the Plan:

a) Contribution Fund

This Fund was established to accumulate the contributions, government matching contributions and earnings of non-retired members.

b) Guarantee Fund

This Fund was established for retired members or their beneficiaries entitled to receive the guaranteed minimum pension.

c) Annuity Fund

This Fund was established for retired members or their beneficiaries that are not entitled to the guaranteed minimum pension. At December 31, 1987 this Fund was not active.

**2. Significant Accounting Policies**

The financial statements are prepared in accordance with generally accepted accounting principles. The following are considered to be significant:

a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

b) Investments

i) Contribution Fund

Investments are recorded at market value which are determined by reference to closing year end sale prices from recognized security dealers, or in the absence of recorded sales, by reference to closing bid and ask prices. Short term investments are valued at cost which approximates market.

ii) Guarantee Fund

Investments are recorded at the present value of future cash flows discounted at the effective yield on the date of purchase. Short term investments are valued at cost which approximates market.

c) Fixed Assets

Fixed assets are capitalized and depreciated over their estimated useful lives, except that items acquired during the period of establishing the Plan, which are financed by the Government of Saskatchewan and to which the members do not have the right to any residual interest, are recorded as expenditures. (See Notes 3 and 8).

**3. Change in Accounting Policy**

During the year the Plan retroactively changed its accounting policy to expense fixed asset additions acquired in the period of establishing the Plan. These amounts were previously capitalized with an offsetting amount recorded as deferred revenue.

This change has no effect on the net assets available for benefits.

**4. Investments**

| | At Market Value |
|---|---|
| a) Contribution Fund: | |
| Short term notes | $11,290,712 |
| Bonds | 9,757,084 |
| Convertible Bonds | 220,000 |
| | $21,267,796 |

b) Guarantee Fund:

The Guarantee Fund investments at December 31, 1987 consisted of bonds with a discounted present value of $79,801.

**5. Government Receivable**

a) Contributions

Government contributions are based in part on members' incomes which are verified with Revenue Canada Taxation. The amount recorded at the year end was the government contribution required to match personal

contributions on which income verification had not yet been obtained.

b) Operating Expenses

This amount represents the total operating expenses which were payable at the year end. (See Note 8).

**6. Due From (To) Other Fund**

This represents the amount of retired members' balances and accrued interest which had not been transferred from the Contribution Fund to the Guarantee Fund at the end of the year.

**7. Actuarial Valuation of Pension Liability**

An actuarial valuation was performed on the pension plan as at December 31, 1987 by The Alexander Consulting Group. The valuation method used was the accrued benefit cost method utilizing the 1983 Group Annuity Mortality Table. The results of this valuation are summarized below:

| | |
|---|---|
| Basic Pension Liability | $961,921 |
| Net Assets Available For Benefits | 958,659 |
| Unfunded Liability For Basic Pension | $ 3,262 |

The Government of Saskatchewan is responsible for funding additional benefits to qualifying retirees under the guaranteed minimum pension formula. The actuarially determined present value of these supplementary benefits is $1,460,111. This amount is funded by the government as pension payments are made.

The government is responsible for funding additional benefits to qualifying members who may retire under the guaranteed minimum pension formula in the future. The amount of these supplementary benefits cannot be determined at this time. Any such amounts will also be funded by the government as pension payments are made.

**8. Operating Expenses**

The costs of operating the plan are a charge upon the Funds and are to be allocated in proportion to the earnings of each Fund. During the period of establishing the Plan the Act provides that the provincial government will pay the costs incurred.

**9. Related Party Transactions**

The plan conducts a portion of its transactions with Saskatchewan Crown controlled agencies, departments and corporations. These transactions are at prevailing market rates and are settled on normal trade terms.

**10. Comparative Figures**

The comparative figures are for a five month period only and certain figures of the Plan have been reclassified to conform with the current year's presentation.

The financial statements for the preceding period were examined by the Provincial Auditor.

The Guarantee Fund did not become active until 1987, therefore no comparative figures are presented.

# Saskatchewan Pension Plan

(Unaudited)

## Schedule of Investments Acquired
## For the Year Ended December 31, 1987

## Contribution Fund

### I) Bonds

| Investment | Maturity Date | Interest Rate | Par Value |
|---|---|---|---|
| Cambridge Leaseholds | 31 Mar 2007 | 10.700 | $ 500,000 |
| Canadian Oil Debco | 31 Oct 2000 | 11.000 | 593,000 |
| Domtar Inc. | 15 Apr 2011 | 10.000 | 420,000 |
| Loblaw | 15 Apr 2007 | 10.000 | 1,000,000 |
| Royal Trust | 01 Aug 1997 | 10.200 | 500,000 |
| Saskatchewan Bond | 30 Dec 2004 | 9.625 | 500,000 |
| Ontario Hydro | 10 May 2009 | 10.000 | 300,000 |
| Investors Group | 16 Jan 2006 | 10.600 | 1,000,000 |
| Province of Quebec | 10 Feb 2012 | 9.000 | 500,000 |
| Quebec Hydro | 27 Mar 2004 | 10.750 | 500,000 |
| Ontario Hydro | 01 May 2005 | 9.750 | 500,000 |
| Province of Newfoundland | 04 Mar 2006 | 11.000 | 500,000 |
| Marathon Realty | 15 Aug 2006 | 10.500 | 500,000 |
| Trans Canada Pipeline | 20 Jul 2002 | 10.800 | 500,000 |
| Domtar Inc. | 05 Aug 2017 | 10.850 | 500,000 |
| Consumers Gas | 06 Jul 2012 | 10.600 | 500,000 |
| Nova | 01 Oct 2007 | 11.950 | 500,000 |
| Canadian Utilities | 15 Oct 2007 | 12.000 | 550,000 |
| Xerox Canada Finance | 15 Oct 2007 | 12.150 | 500,000 |
| TOTAL | | | $ 10,363,000 |

### II) Convertible Bonds

| Investment | Maturity Date | Interest Rate | Par Value |
|---|---|---|---|
| Alberta Energy Corp. | 30 Sep 2003 | 7.250 | $ 250,000 |
| TOTAL | | | $ 250,000 |

| III) Short Term Notes | Purchased | Matured | Net |
|---|---|---|---|
| Transactions during year | $ 49,260,538 | $ 37,969,826 | $ 11,290,712 |

## Guarantee Fund

### I) Bonds

| Investment | Maturity Date | Interest Rate | Par Value |
|---|---|---|---|
| Domtar Inc. | 15 Apr 2011 | 10.000 | $ 80,000 |
| | | | $ 80,000 |

| II) Short Term Notes | Purchased | Matured | Net |
|---|---|---|---|
| Transactions during year | $ 256,992 | $ 256,992 | $ 0 |